

TOWNSHIP OF WARNER
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name WARNER TOWNSHIP	County ANTRIM
Fiscal Year End MARCH 31, 2006	Opinion Date JUNE 1, 2006	Date Audit Report Submitted to State JULY 17, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

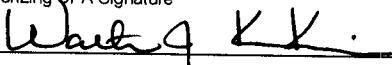
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7515	
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI
		Zip 49735	
Authorizing CPA Signature 		Printed Name WALTER KESKINE, CPA	License Number 1101008795

Township Officials

Supervisor

Matthew Dobrzelewski

Clerk

Sally Skop

Treasurer

Mary Kucharek

Trustees

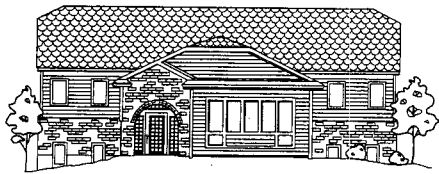
James Nowak

Robert Herman

Warner Township

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

Independent Auditor's Report

June 1, 2006

To the Township Board
Warner Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major funds of the Township of Warner, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Township of Warner as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 20-24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. Cook Miller & Alexander LLP
Keskin, Cook, Miller & Alexander, LLP

Warner Township

ANTRIM COUNTY
ELMIRA, MICHIGAN 49730

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warner Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status remained stable over the last year.

Total assets of the Township as of March 31, 2006 were approximately \$245,000, of which approximately \$23,000 represents capital assets. Assets decreased approximately \$10,000 as a result of the Township spending cash on road projects in excess of current year revenues.

Net assets of the Township as of March 31, 2006 were approximately \$244,000, of which approximately \$23,000 was invested in capital assets, approximately \$59,000 were restricted for road maintenance, and approximately \$162,000 were unrestricted.

Overall revenues were approximately \$112,000, of which approximately \$2,000 is classified as program revenues, and approximately \$110,000 is classified as general revenues (consisting primarily of state-shared revenues and property taxes). Total revenues have decreased approximately \$8,000 from the year ended March 31, 2005 due partially to reductions in state-shared revenue. Overall expenses totaled approximately \$120,000, which is approximately \$21,000 less than the year ended March 31, 2005. The reduction of expenses is largely attributable to additional expenses associated with Township assessing and the re-appraisal of properties within the Township and cemetery expenses that occurred in the year ended March 31, 2005 but not in the year ended March 31, 2006. The activities of the Township have remained the same.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Financial Analysis of the Township as a Whole

Net Assets - the Township's net assets decreased by \$8,151 during the year ended March 31, 2006 totaling at year-end \$244,201. The decrease in net assets is due spending approximately \$9,000 more than road repairs and maintenance than was raised by the road property tax millage. Although the Township's gross property tax revenue increases annually, due to the Headlee Rollback, the annual increases are less than the annual increase in property's taxable value within the Township.

Capital Asset and Long-Term Debt Activity

The Township did not purchase any additional capital assets in the year ended March 31, 2006. Total capital assets owned by the Township totals approximately \$38,000 of which approximately \$15,000 has been depreciated resulting in the net capital assets of approximately \$23,000.


The Township has no outstanding long-term debt.

Known Factors affecting Future Operations

During the year ended March 31, 2006, the Township entered into a contract with J&J Construction for an extensive remodeling of the Township Hall. Improvements will include a parking lot, a new entrance on the side of the building, plumbing, a bathroom, heat, electrical upgrades, carpet, drywall, and a kitchenette. The total cost is anticipated to be approximately \$45,000 and will be paid for out of the fund balance of the General Fund. The Township believes that these improvements are necessary to continue to hold elections in the Hall and provide a safe meeting place for the Township's government.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at 2434 Ray Street, Elmira, MI 49730.



Matthew Dobrzelewski, Supervisor

**TOWNSHIP OF WARNER
STATEMENT OF NET ASSETS
MARCH 31, 2006**

Assets

Cash and investments	\$ 217,508
Delinquent taxes receivable	4,206
Accounts receivable	300
Capital assets, net	23,222
	<hr/>
Total assets	245,236

Liabilities

Accrued liabilities	1,035
Due to other governments	-
	<hr/>
Total liabilities	1,035

Net assets

Invested in capital assets	23,222
Restricted - roads	59,428
Unreserved	161,551
	<hr/>
Total net assets	\$ 244,201

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

	<u>P r o g r a m R e v e n u e s</u>				<u>Net Revenues / (Expenses) & Change in Net Assets</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
Governmental activities:					
General government	\$ 46,897	\$ 170	\$ -	\$ -	\$ (46,727)
Cemetery	2,700	1,350	-	-	(1,350)
Street lighting	2,900	-	-	-	(2,900)
Road repair and maintenance	67,585	-	-	-	(67,585)
Total Governmental Activities	120,082	1,520	-	-	(118,562)
General Revenues					
Property taxes, levied for:					
General operating					22,510
Roads					50,070
Property tax administration fee					5,241
State shared revenue (not restricted to specific purpose)					26,273
Interest income					3,122
Natural gas royalty revenue					1,963
Miscellaneous					1,232
Total general revenues					110,411
Change in net assets					(8,151)
Net assets - beginning of year					252,352
Net assets - end of year					\$ 244,201

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

	<u>General</u>	<u>Roads</u>	<u>Total</u>
Assets			
Cash and investments	\$ 161,224	\$ 56,284	\$ 217,508
Delinquent taxes receivable	1,062	3,144	4,206
Due from other funds	300	-	300
	<u>162,586</u>	<u>59,428</u>	<u>222,014</u>
Total assets	<u>\$ 162,586</u>	<u>\$ 59,428</u>	<u>\$ 222,014</u>
Liabilities and Fund Balances			
Liabilities:			
Accrued liabilities	\$ 1,035	\$ -	\$ 1,035
Fund Balances:			
Unreserved	161,551	59,428	220,979
	<u>162,586</u>	<u>59,428</u>	<u>222,014</u>
Total liabilities and fund balances	<u>\$ 162,586</u>	<u>\$ 59,428</u>	<u>\$ 222,014</u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

Total Fund Balances - Government Funds (Page 7)	\$ 220,979
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Amounts reported for governmental activities in the Statement of
Net Assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	23,222
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Total Net Assets - Governmental Activities (Page 5)	\$ 244,201
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See accompanying notes to financial statements.

TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	<u>General</u>	<u>Roads</u>	<u>Total</u>
Revenues			
Taxes and assessments	\$ 16,963	\$ 50,069	\$ 67,032
State revenue sharing	31,891	-	31,891
Charges for services	5,241	-	5,241
Interest	3,047	-	3,047
Other	4,721	-	4,721
	<hr/>	<hr/>	<hr/>
Total revenues	61,863	50,069	111,932
Expenditures			
Current:			
General government	46,087	-	46,087
Cemetery	2,700	-	2,700
Street lights	2,900	-	2,900
Public works	-	67,585	67,585
	<hr/>	<hr/>	<hr/>
Total expenditures	51,687	67,585	119,272
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	10,176	(17,516)	(7,340)
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	151,375	76,944	228,319
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 161,551	\$ 59,428	\$ 220,979
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006**

Net Change in Fund Balances - Total Governmental Funds (Page 9)	\$	(7,340)
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Amounts reported for governmental activities in the Statement of
Activities (page 6) are different because:

Depreciation expense is recorded in the Statement of Activities but not the governmental fund financial statements.		(811)
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Change in Net Assets of Governmental Activities (Page 6)	\$	(8,151)
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See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2006**

	Assets	
Cash		\$ 300
		<u><u> </u></u>
	Liabilities	
Due to general fund		\$ 300
		<u><u> </u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 1: Entity

The Township of Warner is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services.

The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Warner Township.

Related Organizations

The Township is affiliated with two organizations, the Elmira-Warner Fire Authority and the Township Ambulance Authority. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of these organizations are not recorded in the Township's financial statements and are audited under separate cover.

Elmira-Warner Fire Authority

The Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board. Audited financial statements can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730.

Township Ambulance Authority

The Authority was created November 1, 2002 by nine area Townships (including Warner Township) under Public Act 57 of 1988, as amended. The Authority was created to provide a stable and reliable ambulance service to the residents and visitors within the respective Townships. The Authority operates under a separate 9-member board. Audited financial statements are located at P.O. Box 332, Mancelona, MI 49659.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 2: Summary of Significant Accounting Policies

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Warner Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Warner Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-wide and Fund Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Roads Fund – This fund is used to account for the road millage dollars and the expenditure of those dollars on road repair and maintenance costs.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Measurement Focus and Basis of Accounting

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$16,653,963.

The tax rates for the year ended March 31, 2006, were as follows:

Purpose	Rate/Assessed Valuation
General	1.0000 mills per \$1,000
Roads	2.9578 mills per \$1,000

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 2: Summary of Significant Accounting Policies (Continued)

Budget

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

For the year ended March 31, 2006, the Township experienced no expenditures in excess of its budget.

Capital Assets and Depreciation

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land Improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note 4.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

Note 3: Cash and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The Investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

Warner Township's deposits and investment policies are in accordance with statutory authority.

As of March 31, 2006, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 217,508</u>	<u>\$ 300</u>	<u>\$ 217,808</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits - checking and savings accounts	\$ 155,683
Certificates of deposit	<u>62,125</u>
Total	<u>\$ 217,808</u>

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 3: Cash and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$217,160 of which \$101,904 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

Note 4: Capital Assets

Capital asset activity of the Township's activities as of March 31, 2006 were as follows:

Governmental Activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 6,563	\$ -	\$ -	\$ 6,563
Capital assets being depreciated:				
Building	30,400	-	-	30,400
Equipment	1,010	-	-	1,010
Subtotal	31,410	-	-	31,410
Accumulated depreciation				
Building	13,688	609	-	14,297
Equipment	252	202	-	454
Subtotal	13,940	811	-	14,751
Net capital assets being depreciated	17,470	(811)	-	16,659
Net capital assets	<u>\$ 24,033</u>	<u>\$ (811)</u>	<u>\$ -</u>	<u>\$ 23,222</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township administration \$ 811

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

Note 5: Contingencies

Insurance

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

Note 6: Construction Commitment

During the year ended March 31, 2006, the Township entered into a contract with a construction company for the remodeling of the Township Hall at a cost of \$44,519. As of June 1, 2006, no remodeling has been completed and no payments to the construction company have been made. This project and the payment by the Township are expected to occur in the year ended March 31, 2007.

TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property taxes	\$ 15,120	\$ 15,120	\$ 16,963	\$ 1,843
State-shared revenue	20,000	20,000	26,273	6,273
Swamp tax	5,000	5,000	5,618	618
Property Tax Administration Fee	4,700	4,700	5,241	541
Land Division Fees	50	50	170	120
Interest Income	1,500	1,500	3,047	1,547
Other	2,548	2,548	4,551	2,003
Total Revenues	48,918	48,918	61,863	12,945
Expenditures				
General government				
Township Board:				
Salaries and fringes	2,769	2,769	2,582	187
Professional services	1,500	1,500	1,332	168
Insurance	4,000	4,000	3,290	710
Printing and publishing	100	100	20	80
Supplies	800	800	1,221	(421)
Dues	900	900	418	482
Miscellaneous	9,500	9,500	1,052	8,448
Total Board	19,569	19,569	9,915	9,654
Township Supervisor:				
Salaries and fringes	7,392	7,392	7,288	104
Travel and communications	200	200	294	(94)
Office supplies and miscellaneous	350	350	106	244
Total Supervisor	7,942	7,942	7,688	254
Elections:				
Salaries and frings	600	600	-	600

TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

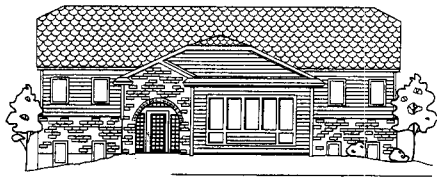
	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Assessor:				
Salaries and fringes	9,112	9,112	7,843	1,269
Office supplies	500	500	390	110
Travel and communication	650	650	126	524
Miscellaneous	300	300	661	(361)
Total Assessor	10,562	10,562	9,020	1,542
Township Clerk:				
Salaries	7,962	7,962	7,544	418
Office supplies	350	350	159	191
Travel and communication	300	300	87	213
Miscellaneous	400	400	320	80
Total Clerk	9,012	9,012	8,110	902
Board of Review:				
Salaries and fringes	1,077	1,077	-	1,077
Office supplies	100	100	228	(128)
Total Board of Review	1,177	1,177	228	949
Township Treasurer:				
Salaries and fringes	9,554	9,554	9,132	422
Office supplies	3,500	3,500	1,370	2,130
Travel and communication	625	625	474	151
Total Treasurer	13,679	13,679	10,976	2,703
Building and grounds:				
Salaries	200	200	-	200
Utilities and maintenance	17,000	17,000	150	16,850
Total building and grounds	17,200	17,200	150	17,050
Total general government	79,741	79,741	46,087	33,654

TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Cemetery	2,500	2,500	2,700	(200)
Street lights	3,500	3,500	2,900	600
Jordan river watershed	147	147	-	147
Total expenditures	<u>85,888</u>	<u>85,888</u>	<u>51,687</u>	<u>34,201</u>
Excess (deficiency) of revenues over (under) expenditures	(36,970)	(36,970)	10,176	47,146
Other financing sources (uses)				
Operating transfer	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	(40,170)	(40,170)	10,176	50,346
Fund balance - beginning of year	<u>151,375</u>	<u>151,375</u>	<u>151,375</u>	<u>-</u>
Fund balance - end of year	<u>\$ 111,205</u>	<u>\$ 111,205</u>	<u>\$ 161,551</u>	<u>\$ 50,346</u>

**TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROADS FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and Assessments	\$ 46,100	\$ 46,100	\$ 50,069	\$ 3,969
Expenditures				
Road Repair and Maintenance	80,000	80,000	67,585	12,415
Deficiency of revenue under expenditures	(33,900)	(33,900)	(17,516)	16,384
Fund Balance - Beginning of Year	76,944	76,944	76,944	-
Fund Balance - End of Year	<u>\$ 43,044</u>	<u>\$ 43,044</u>	<u>\$ 59,428</u>	<u>\$ 16,384</u>



Keskine, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskine, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

June 1, 2006

To the Township Board
Township of Warner, Antrim County

We have audited the financial statements of Warner Township for the year ended March 31, 2006, and have issued our report thereon dated June 1, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Warner Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Warner Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached page summarizes the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The financial records of Warner Township were well organized and we are happy to report that there were no significant difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of Warner Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- Currently, the Township Treasurer provides all cash receipts for the preceding month to the Township Clerk at the Board meeting that is held during the first week of the month. At that time, the Clerk is entering the cash receipts into the Township's general ledger as of the day that she receives the copies of the receipts from the Treasurer. As a result, revenue is being consistently posted to the general ledger one month later than it is received. Additionally, the reconciliation of cash between the Treasurer and Clerk required additional manipulation for the Treasurer to subtract those receipts that she deposited but had not yet forwarded to the Clerk. For the purpose of our audit, we were able to adjust the revenue that was improperly recorded in April 2006 to March 2006.

We recommend that the Clerk enter receipts into the general ledger using the same date that the Treasurer receipted the funds.

- The Treasurer receives the bank statements and reconciles the accounts in a timely manner; however, there is not review process associated with the reconciliation of cash. The Treasurer has the ability to misappropriate Township funds and conceal the misappropriation via the bank reconciliation.

We recommend that the Treasurer provide the bank statements and reconciliations to the Clerk on a monthly basis and that the Clerk review the reconciliations.

We hope that you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskine, Cook, Miller & Alexander LLP

Adjusting Journal Entries
Township of Warner
March 31, 2006

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Cash		101-000-001	1,322.09	
1	To balance		201-998-999	3,716.01	
1	Current Property Tax		101-000-403		1,097.51
1	Taxes Receivable		101-000-019		1,009.24
1	Taxes Receivable-Roads		201-000-019		2,146.60
1	Current Property Taxes- Roads		201-000-403		3,246.32
1	Taxes Receivable - Ambulance		210-000-019	530.92	
1	Payable to Ambulance Authority		210-000-202		530.92
1	Property Taxes - Ambulance		210-000-403		7,917.56
1	Ambulance Service		210-000-740	7,917.56	
1	Fund Balance-Roads		201-000-390		56,742.16
1	Fund Balance		101-000-390	43,802.92	
1	PTAF		101-000-447	36.78	
1	Twn Bd. Misc.		101-101-956	62.61	
1	Repairs and Maint. Roads		201-446-930	107.17	
1	Due from T&A		101-000-060	300.00	
1	Due from Other Funds-road		201-000-084	944.35	
1	To balance		201-998-999		944.35
To adjust beginning equity to agree to 3/31/05 review and to balance the funds					
2	Accumulated Depreciation	K-1	300-000-155		810.00
2	Depreciation Exp - bldg & grounds		300-000-980	608.00	
2	Deprec Exp - Twp Admin		300-000-981	202.00	
GASB 34 - client do not make					
3	Swamp Tax	R-3	101-000-579		5,618.12
3	Misc.		101-000-695	5,618.12	
To reclassify swamp tax revenue into its own account					
4	Cash	R-3	101-000-001	4,364.00	
4	St. Rev. Sharing		101-000-574		4,364.00
To record 6th State Shared Revenue payment of the year - amount was received by Treasurer in March, but not recorded by Clerk until April					
5	Misc.	R-3	101-000-695	1,634.18	
5	Rental- O.I.L.		101-000-667		1,634.18
To reclassify DTE gas royalty payments into 1 account					
6	Certificates of deposit	C's	101-000-002	60,000.00	
6	Cash		101-000-001		60,000.00
To reclassify certificates of deposit from cash account in general fund					
7	Certificates of deposit	C-5	101-000-002	2,125.45	
7	Interest Income		101-000-664		2,125.45
To accrue earned interest on certificates of deposit in general fund					
8	Taxes Receivable - Ambulance		210-000-019		530.92
8	Payable to Ambulance Authority		210-000-202	530.92	
8	Property Taxes - Ambulance		210-000-403	7,917.56	
8	Ambulance Service		210-000-740		7,917.56
To eliminate ambulance activity - activity is reported by Township Ambulance Authority					
Totals				141,740.64	156,634.89